

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7290**

**BILL NUMBER:** HB 1454

**DATE PREPARED:** Jan 11, 1999

**BILL AMENDED:**

**SUBJECT:** Distribution of tobacco settlement funds.

**FISCAL ANALYST:** Bernadette Bartlett

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**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill appropriates a total of 30% of the tobacco lawsuit settlement for the next 25 years. Twenty percent is appropriated to the Department of Agriculture to make grants to those that own rights to tobacco production on January 1, 1999. Ten percent is appropriated to Purdue University for development of new crops to replace tobacco.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** Indiana is the 30th of 46 eligible states to sign on to a \$206 billion settlement agreement between tobacco companies and the states. Indiana's share of the settlement is estimated to be \$4 billion.

The settlement requires tobacco companies to make payments to the states for the next 25 years. Indiana's first payment is expected to total \$50 million and is to be made 30 days after the agreement is signed. The state is to receive payments from \$48.9 million to \$171.1 million each April, beginning in the year 2000 and ending in 2025. In addition, states like Indiana which had already begun litigation with the tobacco companies may receive a portion of an additional \$8.6 billion.

If Indiana received \$50 million during the first year, \$10 million would be used for grants and \$5 million would be distributed to Purdue University. This \$15 million set aside would leave a remainder of \$35 million in the State General Fund from the settlement payment.

In subsequent years, the grant program would receive from an estimated \$9.78 million to \$34.22 million, and Purdue University would receive from \$4.89 million to \$17.11 million. The 30% set-aside would leave a remainder of from \$34.23 million to \$119.7 million (\$48.9 million minus \$14.67 million to \$171.1 million minus \$51.33 million).

If the Office of the Commissioner of Agriculture were charged with issuing grants to qualifying entities, the

Office would need a PAT II to implement the program. Personnel and other administrative expenses, estimated at less than \$50,000 per year, could be paid for from the appropriation.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of the Commissioner of Agriculture and Purdue University.

**Local Agencies Affected:**

**Information Sources:** Joe Pearson, Assistant Commissioner of Agriculture, Office of the Commissioner of Agriculture (317) 232-8774; J.D. Lux, Office of the Attorney General, 233-8438.